BEST PURCHASING PRACTICES

Across the University there are some irregular and inefficient methods for purchasing goods and services that don’t meet the institutional Finance and Purchasing Regulations and these practices must be improved. Over the coming months, and with the assistance of staff in Accounts Payable and Systems Administration, we will be monitoring these non-compliant transactions and shall contact the staff responsible to explore whether extra training or guidance is needed before taking further action.

We have an obligation to use best practice and demonstrate value for money when purchasing with public funds and the main areas that we wish to address now are as follows:

**Raising orders on receipt of invoices**
By doing this:
1. You are implicitly accepting the suppliers’ terms and conditions, including all delivery charges and early payment terms;
2. If there is no clear order description then you will not be able to dispute the supply after the invoice has arrived;
3. There is no funds check or commitment accounting done before the budget is used and no budget authorisation;
4. There is no order number, recognised delivery address, VAT treatment or any other special clause advised formally to the supplier;
5. Invoices are frequently inaccurate, lost and duplicated when a purchase order system isn’t used – and supplier payments will always take longer;
6. You may be buying from a supplier which has been excluded from dealing with the University.

Purchase orders must be raised in advance for the purchase of all goods and services (apart from specifically approved exceptions). Informal ordering by telephone or email must stop. In the near future all of the University’s suppliers will be advised that they must obtain an order before they supply and that invoices without order numbers will be returned to them. The suppliers may then pursue invoice payments with the individuals who placed the unauthorised orders. The University has invested in efficient purchasing systems and a central Accounts Payable Team to process invoices; we must use them.

**Separation of duties**
In order to minimise the risk of fraud it is essential that there is a clear separation of duties. In practical terms this means that the member of staff who authorises a purchase must not be the same person who actions a goods receipt for the goods or services. If Schools and Sections have not established this arrangement within their structure they leave themselves open to criticism in the event of an audit at the least, and fraudulent activity at the worst.

**Low value orders**
There are far too many low value orders being raised within the University. This is a costly and inefficient use of resource – we have found a purchase order for 37p! An estimate of the administrative cost of the purchase to pay procedure for a Cedar order is £60 and an EPS/Pecos order roughly half of this. With this in mind we request that buyers:
- don’t place any order for less than £50 unless it is absolutely necessary;
- consider whether it is necessary to order now, or hold for other items from the same supplier;
- consolidate requirements – place on order once a week instead of once a day, once a month instead of once a week etc.;
- think of the environmental impact: the use of human and mechanical resource to select the item in a warehouse; the use of packing; the cost of delivery including the carbon footprint; the labour involved in checking and delivering the item/s to you – all for 37p.
Use of Credit Cards
The Financial Regulations clearly state that individual credit cards are not to be used to obtain goods or services: purchase orders are to be used which facilitate budget checking, commitment accounting and an audit trail (www.abdn.ac.uk/finance/policiesandprocedures/exben07.pdf).

There will always be exceptions – such as budget airlines which won’t accept any other form of payment. We have re-started the process to introduce corporate procurement cards to the University and these are intended to be used primarily for travel. We expect that the cards will not be widely issued until early next year.

Supplier Set-ups
There are over 19,500 suppliers available on the University finance system. There are large contracts in place with the suppliers of all of the high commonality items, yet there is a constant flow of requests to set up new suppliers. A lot of unnecessary resource is put to supplier adoption when there is a high probability that there are other suppliers which can provide the same or similar products already established on our database. We recommend that the supplier search doesn’t start with the telephone directory or Google, but that buyers look firstly for a supplier on the EPS system, then the Cedar finance system. This will save time and effort in your section as well as Finance.

When the need for a new supplier is justified, please read the Supplier Set-up guidance notes very carefully (available behind the Finance webpage under Finance Systems: www.abdn.ac.uk/finance/cedar/printed_forms/supp_setup.doc) and ensure that the completed form is addressed to Supplier Forms, Procurement, University Office and unless it is absolutely impossible to obtain, the form is to be accompanied by a note confirming payment details on letter-headed paper signed by an officer or director of the new supplier.

We would appreciate your support in improving the current procurement practices within the University.

Thank you.

Gary McKinnon
Purchasing Officer